



FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

SUMMARY: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), pursuant to 5 CFR 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 CFR Part 1320, Appendix A.1. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

DATES: Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

ADDRESSES: You may submit comments, identified by FR 3064a and FR 3064b, by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's web site at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, N.W.) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer—Shagufta Ahmed --Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW., Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at:

<http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer —Cynthia Ayouch-- Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

Request for comment on information collection proposal

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby

published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB delegated authority the extension, with revision, of the following report:

Report title: Interchange Transaction Fees Surveys.¹

Agency form numbers: FR 3064a and FR 3064b.

OMB control number: 7100- 0344.

Frequency: FR 3064a – Biennial; FR 3064b – Annual.

Reporters: Issuers of debit cards (FR 3064a) and payment card networks (FR 3064b).

Estimated annual reporting hours: FR 3064a: 111,600 hours; FR 3064b: 1,350 hours. *Estimated average hours per response* FR 3064a: 200 hours; FR 3064b: 75 hours.

Number of respondents: FR 3064a: 558; FR 3064b: 18.

General description of report: This information collection is authorized by subsection 920(a) of the Electronic Fund Transfer Act, which was amended by section 1075(a) of the Dodd-Frank Act. 15 U.S.C. 1693o-2. This subsection requires the Board to disclose (on a biennial basis) aggregate or summary information concerning the costs incurred, and interchange transaction fees charged or received, by issuers or payment card networks in

¹ The proposed debit card issuer and payment card network surveys, supporting statement, and other documentation are available on the Board's public website at:

<http://www.federalreserve.gov/apps/reportforms/review.aspx>.

connection with the authorization, clearance or settlement of electronic debit transaction as the Board considers appropriate and in the public interest.

15 U.S.C. 1693o-2(a)(3)(B). It also provides the Board with authority to require issuers and payment card networks to provide information to enable the Board to carry out the provisions of the subsection. Response to these surveys is mandatory.

In accordance with the statutory requirement, the Board currently releases aggregate or summary information from the survey responses, and, average interchange fees at the network level. In addition, the Board will release, at the network level, the percentage of total number of transactions, the percentage of total value of transactions, and the average transaction value for exempt and not-exempt issuers obtained on the FR 3064b. The Board has determined to release this information both because it can already be calculated based on the information the Board currently releases on average interchange fees and because the Board believes the release of such information may be useful to issuers and merchants in choosing payment card networks in which to participate and to policymakers in assessing the effect of Regulation II on the level of interchange fees received by issuers over time. However, the remaining individual issuer and payment card information collected on these surveys will be treated as confidential under exemption (b)(4) of the Freedom of Information Act (FOIA), which protects

information that, if released, would cause substantial harm to the competitive position of the survey respondents. 5 U.S.C. 552(b)(4) (exempting from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential”).

Abstract: The Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) requires the Board to disclose (on a biennial basis) aggregate or summary information concerning the costs incurred, and interchange transaction fees charged or received, by issuers or payment card networks in connection with the authorization, clearing, or settlement of electronic debit transactions as the Board considers appropriate or in the public interest. The data from these surveys are used in fulfilling that disclosure requirement. In addition, the Board uses data from the payment card network survey (FR 3064b) to publicly report on an annual basis the extent to which networks have established separate interchange fees for exempt and covered issuers.² Finally, the Board uses the data from these surveys in determining whether to propose revisions to the interchange fee standards in Regulation II (12 CFR Part 235). The Dodd-Frank Act provides the Board with authority to require debit card issuers and payment card

² Average debit card interchange fee by payment card network, <http://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm>.

networks to submit information in order to carry out provisions of the Dodd-Frank Act regarding interchange fee standards.

Current Actions: The Board proposes to revise the debit card issuer survey (FR 3064a) to collect data on costs of authorization, clearance, and settlement broken out by variable costs and fixed costs, and to instruct respondents to exclude transactions monitoring from the calculation of costs of authorization, clearance, and settlement, as transactions monitoring costs are already collected elsewhere on the survey form. In addition, the Board proposes that, for the data collection for calendar year 2013, the survey be made available to respondents by February 3, 2014, with a filing deadline of March 17, 2014.

The Board proposes to revise the payment card network survey (FR 3064b) to collect data on exempt general-use prepaid card transactions broken out between transactions using cards issued by an issuer that qualifies for the small issuer exemption and transactions using cards issued by a non-exempt issuer. In addition, the Board proposes to modify the confidentiality status of FR 3064b to allow for the public release of more data at the network level, specifically, average transaction values, and proportions of transactions for exempt and non-exempt issuers for each network.

Lastly, The Board proposes to make several clarifications throughout both surveys and delete data items applicable to specific timeframes that are no longer relevant.

The proposed revisions to both surveys would be effective for the collection of calendar year 2013 data, collected as of December 31, 2013.

Proposed Revisions to FR 3064a

Section I: Respondent Information:

Questions 3: Do you have a general-use prepaid card program? – The Board proposes to delete question 3 because it is redundant.

Section II: All Debit Card Transactions and Section V: General-Use Prepaid Card Transactions

Question 1: General-use prepaid card exemption: Exempt vs. non-exempt general-use prepaid card transactions – The Board proposes to modify question 1.d by deleting line item 1d.1 (Volume and Value), All general-use prepaid card transactions between January 1 and September 30, 2011, as this timeframe is no longer relevant. Subsequent line items 1d.2 and 1d.3 would be renumbered as 1d.1 and 1d.2.

Section II: All Debit Card Transactions, Section III: All Single-Message (PIN) Debit Card Transactions, Section IV: All Dual-Message (Signature) Debit Card Transactions, and Section V: General-Use Prepaid Card Transactions

Question 3: Costs of authorization, clearance, and settlement – The Board proposes to add questions 3e and 3f to break out the fixed and variable cost components for line items 3b.1 In-house costs and 3b.2 Third-party processing fees, respectively. Definitions for variable and fixed costs would be added to the instructions.³ A break-out of variable and fixed costs would provide the Board with sufficient flexibility to respond to possible outcomes of pending litigation regarding Regulation II.

The Board proposes to modify the instructions for question 3 to exclude transactions monitoring costs as part of the costs of authorization, clearance, and settlement. Transactions monitoring costs are currently reported in Question 5, Fraud prevention and data security costs, line item 5a.1 Transactions monitoring cost tied to authorization.

General Instructions

The Board proposes to change the timing for conducting the calendar year 2013 survey. Currently, the debit card issuer survey becomes available to respondents in mid-February with responses due within 60 days. To enable the Board to collect and use updated data if necessary to respond quickly to pending litigation regarding Regulation II, the Board proposes to accelerate the schedule for calendar year 2013 survey, making the survey available by

³ Fixed costs would be defined as costs that do not vary with changes in the number or value of transaction over the course of the reporting period (i.e., calendar year 2013 for this application of the survey).

February 3, 2014, with responses due by March 17, 2014. Future surveys would revert to the original schedule (mid-February to mid-April).

Proposed Revisions to FR 3064b

Section I: Respondent Information

Is your payment card network a single-message (PIN) or dual-message (signature) network? Although no revisions are proposed to this question, the Board requests comment on a payment card network's ability to process single-message transactions across dual-message networks and vice versa. In addition, the Board requests comment on how such transactions should be categorized. Based on this feedback, the instructions for this question may be clarified as to how to categorize such transactions.

Section II: Debit Card Transactions

Small issuer exemption: Transactions using card of exempt vs. non-exempt issuers - The Board proposes to revise this section by deleting line item 1e.1 (Volume and Value), All settled purchase transactions between (January 1, 2011 – September 30, 2011), as this timeframe is no longer relevant. Subsequent line items 1e.2 and 1e.3 would be renumbered as 1e.1 and 1e.2.

Transactions using card of exempt vs. non-exempt issuers (January 1, 2011 – September 30, 2011) - The Board proposes to revise this section by

deleting line items 1f through 1f.2 as this timeframe is no longer relevant.

Subsequent line items would be renumbered accordingly.

General-use prepaid card exemption: Exempt vs. non-exempt general-use prepaid card transactions and General-use prepaid card exemption:

Interchange fees on exempt vs. non-exempt card transactions - The

Board proposes to revise line items 1g and 2i by requiring networks to allocate volume, value, and interchange fee revenue for exempt general-use prepaid card transactions between transactions using prepaid cards issued by exempt (small) issuers (adding line items 1g.1.1 and 2i.1.1) and transactions using prepaid cards issued by non-exempt issuers (adding line items 1g.1.2 and 2i.1.2). Currently, payment card networks are required to allocate volume and value of general-use prepaid card transactions, and associated interchange fee revenue, between exempt and non-exempt general-use prepaid card transactions and interchange fees. Under Regulation II, a general-use prepaid card transaction may be exempt from the interchange fee standards either because the card is issued by an issuer that qualifies for the small issuer exemption or because the card qualifies for the prepaid card exemption, irrespective of the size of the issuer. The proposed break-out of these data would allow the Board to determine which type of exemption applies to each exempt transaction, thus improving interpretation of these data.

Small issuer exemption: Interchange fees on transactions using card of exempt vs. non-exempt issuers - The Board proposes to revise this section by deleting line items 2g.1, All interchange fees paid to issuers between (January 1, 2011 – September 30, 2011), and 2g.3, Interchange fees paid to non-exempt issuers between (October 1, 2011 – December 31, 2011), as these timeframes are no longer relevant. Subsequent line item 2g.2 would be renumbered as 2g.1.

Interchange fees on transactions using card of exempt vs. non-exempt issuers (January 1, 2011 – September 30, 2011) - The Board proposes to revise this section by deleting line items 2h through 2h.2 as this timeframe is no longer relevant. Subsequent line items would be renumbered accordingly.

Small issuer exemption: Network fees received from exempt vs. non-exempt issuers - The Board proposes to revise this section by deleting line items 3c.1, All network fees received from issuers that settled between January 1, 2011 – September 30, 2011, and line items 3d through 3d.2, as these timeframes are no longer relevant. Subsequent line items would be renumbered 3c.1 and 3c.2.

Small issuer exemption: Payments and incentives paid to exempt vs. non-exempt issuers - The Board proposes to revise this section by deleting line items 4c.1, All payments and incentives paid to issuers between

January 1, 2011 – September 30, 2011, and line items 4d through 4d.2, as these timeframes are no longer relevant. Subsequent line items would be renumbered 4c.1 and 4c.2.

General Instructions

Response Confidentiality and Burden - The Board proposes to revise the confidentiality statement to indicate that the Board may release some information identified by network, rather than in the aggregate, by total, or as an average. The Board currently publishes this information only at the aggregate levels across networks for signature, PIN, and total debit card transactions: the percent of total number of transactions for exempt and non-exempt issuers; the percent of total value of transactions for exempt and non-exempt issuers; and the average transaction value for exempt, non-exempt, and all issuers. This information can already be calculated at the network level from the information the Board currently releases on average interchange fees. Network-specific information may be useful to issuers (both exempt and non-exempt) and merchants in choosing payment card networks in which to participate and to policymakers in assessing the effect of Regulation II on the level of interchange fees received by exempt and nonexempt issuers over time. The existing confidentiality statement provides that only the average interchange fees for exempt and non-exempt issuers would be released by network.

Board of Governors of the Federal Reserve System, October 15, 2013.

Robert deV. Frierson
Secretary of the Board.

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